

MOTOR VEHICLE FUEL TAX
RCW 82.36

Tax Base Each gallon of motor vehicle fuel which is delivered from a "terminal rack" in the state. A terminal rack is the platform or bay at which motor vehicle fuel from a refinery or terminal is delivered into trucks, trailers or rail cars. The term motor vehicle fuel includes gasoline and other inflammable gas or liquids that are used to propel motor vehicles or boats, except that it does not include special fuels, such as diesel and propane which are subject to the special fuel tax.

Tax Rate 23 cents per gallon. (The federal government also taxes motor vehicle fuel at a rate of 18.4 cents per gallon.)

Levied by State

Counties. An additional gas tax may also be levied by counties for local transportation purposes (RCW 82.80.010). The maximum rate is 10 percent of the state tax (or currently 2.3 cents per gallon) and the tax must be approved by the voters. The local tax is administered by the Department of Licensing and is added to the state rate. This authority was provided in 1990 but no county has yet adopted such a local gas tax.

Border area cities. Per RCW 82.47, adopted in 1991, cities that are located within ten miles of an international border crossing or transit districts that include such a border crossing may levy an additional local gas tax. The maximum rate is one cent per gallon, and the receipts must be devoted to street improvements. Such a tax would be locally administered. To date, this tax has been imposed by the cities of Blaine, Sumas, and Nooksack and the Point Roberts transit district.

Administration

Department of Licensing. Refiners, importers, and blenders of motor vehicle fuel must file a monthly report indicating the number of gallons of fuel removed from terminal facilities and include payment of the tax. Also, terminal operators and "position holders" (persons with a contractual agreement with terminal operators for delivery of motor vehicle fuel via the terminal) must file the monthly report. The report is due by the 25th of the following month. If the amount of tax due equals \$50,000 or more, payment must be made by electronic funds transfer which is due by the next to last business day of the following month.

The amount of state (and federal) gas taxes are passed on to retailers and are included in the pump price paid by consumers. Persons who use motor vehicle fuel off of the public highways may claim a refund of the gas tax. However, retail sales tax is deducted from the amount of the refund.

Recent Collections (\$000)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2001	\$611,723	(3.8)%	5.2%
2000	636,198	8.4	5.4
1999	587,090	(2.2)	5.1
1998	600,327	2.8	5.4
1997	584,136	1.6	5.6
1996	574,830	1.8	5.8
1995	564,870	3.2	5.9
1994	547,207	4.1	6.1
1993	525,695	(3.1)	6.3
1992	542,601	7.0	6.9

Exemptions and Refunds

- 0.30 percent of the net gallonage may be deducted for losses sustained in handling (0.25 percent for fuel suppliers who act as distributors);
- fuel imported or exported from the state in interstate commerce;
- fuel sold to foreign diplomatic and consular missions;
- refund for urban transportation systems;
- refund for nonhighway uses of motor vehicle fuel;*
- refund for nonprofit providers of transportation to persons with special needs;
- refund for fuel used in manufacturing, cleaning and dyeing;*
- refund for exported fuel;
- refund for marine uses of motor vehicle fuel;*
- refund for fuel lost or destroyed due to fire, flood, leakage, etc.
- credit for suppliers who fail to receive consideration from purchasers.

*NOTE: Motor vehicle fuel that is used in this state for nonhighway purposes is subject to retail sales and use tax. The appropriate amount of state and local sales/use tax is applied to such fuel and deducted from the amount of motor vehicle fuel tax to be refunded to off-highway users.

Distribution of Receipts

Distribution of the motor vehicle fuel and special fuel taxes is accomplished according to complex formulas. Various transportation programs receive dedicated portions of the tax pursuant to statute (generally RCWs 82.36.025, 82.38.290, 46.68.090, 46.68.095 and 48.68.100). These are summarized below:

17 CENTS OF THE 23 CENT TAX

(after payment of refunds, e.g., off-road use, and administrative expenses)

1.21 cents	urban arterial trust account
3.87 "	counties
1.96 "	cities
0.54 "	state ferries - operations
0.55 "	state ferries - capital construction
1.18 "	state urban highways
7.69 "	state highways

ONE CENT OF THE 23 CENT TAX

0.33 cents	rural arterial program
0.33 "	urban arterial program
0.33 "	state highway construction

FOUR CENTS OF THE 23 CENT TAX

1.00 cents	state highways
0.50 "	cities
0.30 "	counties
0.45 "	counties - arterial preservation
1.50 "	transportation improvement account
0.25 "	rural arterial program

ONE CENT OF THE 23 CENT TAX

0.75 cents	special category "C" (high cost projects requiring bond financing)
0.25 "	counties

History

Adopted in 1921 at a rate of one cent per gallon, this was the third oldest state tax (apart from the property tax), after the insurance premiums and inheritance taxes. Rate changes occurred as follows:

1924 - 2 cents	1979 - 12 cents
1929 - 3 "	1981 - 13.5 "
1931 - 4 "	1982 - 12 "
1933 - 5 "	1983 - 16 "
1949 - 6.5 "	1984 - 18 "
1961 - 7.5 "	1990 - 22 "
1967 - 9 "	1991 - 23 "
1977 - 11 "	

Refunds for off-highway use were established in 1933. From 1935 until 1947 a tax on fuel oil of one-quarter cent per gallon was collected. The 18th amendment, requiring dedication of gas tax revenues for roads, was adopted in 1944. From 1978 until 1983, the tax rate fluctuated according to the average price of fuel and highway budget needs. Initially the rate could range between 9 and 12 cents, then from 12 to 16 cents. The variable rate was repealed in 1983. In 1979, the Legislature authorized a local gas tax for the city of Seattle for construction of the West Seattle bridge, but this authority was never utilized and it expired on June 30, 1985. In 1990, enabling legislation for county gas taxes was approved and in 1991 the border areas tax of one cent was authorized.

In 1998 the statute was largely rewritten to shift the burden of reporting gas tax from distributors to the owner of the fuel at the time it was initially delivered from a refinery or terminal facility in the state. This new tax "at the rack" is intended to reduce evasion of motor vehicle fuel tax, and reduce compliance costs by greatly reducing the number of taxpayers that are liable for reporting the tax.

Discussion/Major Issues

The motor vehicle fuel tax is a major revenue source in Washington, ranking fourth in collections after the retail sales tax, the B&O tax, and the state property tax levy. Administratively, it is inexpensive to collect, since only a small number of taxpayers report and pay the tax.

Compared with many other states, Washington's state or local gas tax rate is relatively high, although thirteen other states currently have rates in excess of Washington. The highest gas tax rate is now 29 cents per gallon, levied in Rhode Island. In nine states, motor vehicle fuel is subject to sales tax in addition to the fuel tax.

Pursuant to the 18th amendment to the State Constitution approved by the voters in 1944, motor vehicle fuel tax revenues, along with other vehicle-related fees, may be used only for highway purposes. This is the largest tax source that is "earmarked" for a specific governmental expenditure program. (Arguably, the state property tax levy is similarly devoted to a particular program, K-12 education.) Earmarking does guarantee a certain level of funding to the specified program. However, it tends to remove the favored program from the scrutiny which other programs receive through the executive and legislative budget process. Over time, needs change and earmarking may make it more difficult for policy makers to properly consider and debate the needs of all governmental expenditures.

The motor vehicle fuel tax is levied on volume rather than price. Thus, receipts are influenced by consumption patterns more than changes in the retail selling price. As the average fuel efficiency of vehicles rises, gas tax revenues tend to fall, or at least increase at a lesser rate. Similarly, the tax fails to take advantage of inflationary increases in fuel prices.

Motor vehicle fuel represents one of the largest categories of tangible goods purchased by consumers in Washington which is not subject to retail sales tax. In theory, the sales tax is intended to be a broad-based tax on consumption; its receipts are devoted to the state general fund, to be used for general purposes as decided by the Legislature during the biennial budget process. Excluding motor vehicle fuel from sales tax not only artificially restricts the base of the sales tax, but also deprives the general fund of a major source of revenue. There are examples of other products which are subject to excise taxes at both the wholesale and retail level (e.g., cigarettes).